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SEC Orders Hearing On Fraud Charges For Adviser Rewald

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WASHINGTON—The Securities and Exchange Commission ordered administrative hearings on fraud charges against a Honolulu investment adviser accused of pocketing millions of dollars of investors' funds.

The adviser, Ronald R. Rewald, has said that he was working for the Central Intelligence Agency through his now-bankrupt investment firm, Bishop, Baldwin, Rewald, Dillingham & Wong Inc., which also was named in the SEC action. He has said he acted on CIA orders between January 1982 and August 1983, when the SEC says the illegal action took place.

In April, without admitting or denying the charges, Mr. Rewald and the firm consented to a federal court order permanently enjoining them from further violations of the antifraud provisions of securities law. Among other things, they had been accused of selling more than \$17 million in unregistered securities.

The court action ordered an end to the alleged abuses, and "what we now are saying is how should he be punished," according to an SEC spokesman.

Mr. Rewald still faces theft charges brought by the state of Hawaii, where a federal grand jury reportedly also is looking into the case. In Washington, a House committee looking into the government's handling of the case has demanded Justice Department and SEC records in the matter.

According to the SEC, Mr. Rewald and the firm lied or failed to tell investors about several aspects of the business. These included how the funds would be used, the payment of commissions to salesmen, insurance coverage of securities, Mr. Rewald's educational background and the company's interest in securities it recommended that its clients buy.

The firm, which was declared bankrupt last fall, promised investors that Federal Deposit Insurance Corp. insurance would be provided for as much as \$150,000 for each account. However, the FDIC insures only bank accounts. The firm also pooled most clients' funds in one checking account. It also handed out two different sets of financial statements to clients, apparently aimed at different levels of gullibility. One statement put accounts receivable at \$187.9 million and total assets at \$1.42 billion; another listed accounts receivable at \$18.7 million and total assets at \$142 million. Neither statement contained a standard auditor's certification letter.

Mr. Rewald couldn't be reached for comment.